

*Original Co-Sponsor of Legislation to Provide More Efficient Assistance to All States that Suffer Disasters*

July 30, 3008

WASHINGTON, D.C. - Rep. Charlie Melancon (D-La.) has joined colleagues from disaster-stricken regions across the country in introducing legislation to provide more immediate and consistent tax relief to families and businesses devastated by natural disasters. The *Fair Disaster Tax Relief Act* (H.R. 6640) would establish a nationwide, permanent disaster relief program for families and businesses affected by floods, tornadoes, wildfires, hurricanes, or any other disaster that yields a presidential disaster declaration. The bill currently has 13 original cosponsors from nine states.

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**"Natural disasters are unfortunately a fact of life, yet our government provides relief in a piecemeal fashion that is often too little, too late," said Rep. Melancon. "Last year, presidential disaster areas were declared in 32 states, yet Congress only provided relief for one state. Countless Americans who suffered from natural disasters were left out in the cold because of government bureaucracy.**

**"The *Fair Disaster Tax Relief Act* will bring fairness and consistency to relief efforts. Families and businesses struck by disaster will no longer have to depend on the whims of Congress to determine whether they get a helping hand. With this bill, we will give future disaster survivors the peace of mind that economic relief will be there to help them rebuild and recover"**

Under the *Fair Disaster Tax Relief Act*, a "disaster" would be any area determined by the President to warrant assistance under the Robert T. Stafford Disaster Relief and Emergency Assistance Act after January 1, 2008. The bill includes four provisions that would better allow families and businesses to recover expenses they incur as a result of the disaster and gain housing assistance. The bill would make these tax benefits permanent.

Rep. Melancon continued, **"Just today, legislation was signed into law ensuring that Katrina and Rita hurricane survivors wouldn't have to pay taxes on their recovery grants. That bill was a step in the right direction and fixed a major flaw in our government's disaster relief effort. However, much more must be done so that future disaster survivors don't experience the same uncertainties and frustrations that we faced**

three years ago.

**"The *Fair Disaster Tax Relief Act* is another step forward and will help streamline the federal government's disaster tax relief programs. We need to learn the lessons of Katrina and Rita and provide more efficient and effective assistance to future disaster survivors across the country."**

The bill includes the following provisions:

### **Writing Off Qualified Disaster Expenses**

If a taxpayer spends money to clean up after a disaster, they may be unable to recover these expenses right away. Instead, the taxpayer may be required to capitalize these expenses and recover these costs over time. The period of time over which these expenses may be recovered can be as long as 39 years.

The Fair Disaster Tax Relief Act would allow disaster victims and businesses to write off and immediately recover demolition, clean up, repair, and environmental remediation expenses.

### **Reforming Casualty Loss Rules**

When property (e.g. a house, a car, or a roof) is destroyed in a disaster, taxpayers are only allowed to claim a loss that exceeds \$100 and 10 percent of their adjusted gross income (AGI). For example, if a family with an AGI of \$60,000 loses its \$10,000 car in a flood, the family would only be allowed to claim a loss that exceeds \$100 and \$6,000 (i.e. 10 percent of \$60,000). Therefore, they would only be able to claim a loss of \$3,900.

The Fair Disaster Tax Relief Act waives the restrictive 10 percent rule and raises the \$100 floor to \$500. With these improvements, the family described above would be able to claim a loss of \$9,500 for their destroyed car.

### **Extending Carry Back for Losses and Qualified Disaster Expenses**

When taxpayers carry losses back to prior years, they receive a refund of the taxes that they paid in the earlier year. This prompt refund can help them reinvest in their businesses or make ends meet in the aftermath of a disaster. Under current law, taxpayers can carry losses back two years.

The Fair Disaster Tax Relief Act would allow taxpayers to carry back losses five years instead of two. This will increase the pool of income taxes that may be offset by the disaster losses and, therefore, can increase the size of a disaster victim's refund.

### **Providing Housing Assistance for Disaster Victims**

Under current law, states are allowed to issue tax exempt bonds to finance low-interest loans to first-time home buyers and to build low income rental housing.

The Fair Disaster Tax Relief Act would allow States to use these tax exempt bonds to also finance low-interest loans to taxpayers whose principal residence has been damaged by a disaster. These loans can be used to make repairs or reconstruction up to \$150,000.

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